

Overview

The Report contains 28 paragraphs including one Performance Audit and 27 Compliance Audit paragraphs involving revenue impact of ₹ 426.98 crore and expenditure impact of ₹ 7.43 crore. Some of the major findings are mentioned below:

I. General

Total revenue receipts of the State Government for the year 2016-17 amounted to ₹ 75,611.72 crore against ₹ 69,032.66 crore for the previous year. 69 per cent of this was raised by the State through tax revenue (₹ 42,176.37 crore) and non-tax revenue (₹ 9,699.98 crore). The balance 31 per cent was receipt from the Government of India as State's share of divisible Union taxes (₹ 15,225.02 crore) and Grants-in-aid (₹ 8,510.35 crore).

(Paragraph 1.1.1)

Arrears of revenue as on 31 March 2017 on some principal heads of revenue amounted to ₹ 12,590.97 crore, of which, ₹ 5,182.78 crore was outstanding for more than five years.

(Paragraph 1.2)

As on 30 June 2017, 3,243 Inspection Reports (IRs) in respect of various Departments containing 26,848 observations involving money value of ₹ 8,017.53 crore were outstanding.

(Paragraph 1.7)

II. Taxes/VAT on sales, trade etc.

Performance Audit

Non-adherence to action plan relating to e-governance activities resulted in deficiencies in upgradation of IT infrastructure. Central share of ₹ 7.43 crore out of ₹ 29.85 crore for Mission Mode Project for Computerisation of Commercial Taxes Administration (MMPCT) was lapsed.

(Paragraph 2.4.5.1, Bullet 1)

Improper maintenance of IT assets resulted in non-functioning of computers and peripherals.

(Paragraph 2.4.5.2)

Department neither formulated an integrated and comprehensive plan nor adopted guidelines for implementation of the modernisation of offices involving introduction of functional layout for office premises, creation of modern workstations, etc.

(Paragraph 2.4.7.4)

Compliance Audit

Ineffective mechanism to trace unregistered dealers led to 412 dealers remaining out of the tax net resulting in non-levy of tax amounting to ₹ 35.25 crore.

(Paragraph 2.5.2.1, Bullet 2)

Inputs of the enforcement wings were not utilised for assessment in 648 cases involving ₹ 31.54 crore in six assessment circles.

(Paragraph 2.5.2.1, Bullet 5)

As per the data gathered from Customs and Central Excise Department, 27 dealers imported cashew valued at ₹ 1,967.83 crore against which import worth ₹ 729.44 crore only was disclosed by the dealers. The difference of import purchase worked out to ₹ 1,238.39 crore.

(Paragraph 2.5.4.1)

In two assessment circles, three dealers failed to disclose their taxable turnover amounting to ₹ 511.10 crore in their return. This resulted in escape of turnover from assessment and consequent short payment of tax and interest of ₹ 33.46 crore.

(Paragraph 2.6)

Kerala State Poultry Development Corporation claimed irregular exemption of ₹ 34.13 crore being supply of pullets to beneficiaries, which resulted in short-levy of tax and interest of ₹ 6.53 crore.

(Paragraph 2.7)

In respect of three national/multinational companies falling under three assessment circles as retail chains or direct marketing chain, the surcharge and interest amounting to ₹ 5.78 crore payable on output tax was not/short paid.

(Paragraph 2.8)

In nine assessment circles, 11 assesseees who opted to pay tax under the compounding scheme under-reported the size and/or the number of crushing machines. Non-utilisation of information received from other Departments before compounding/finalising the assessment resulted in short-levy of tax and interest of ₹ 1.66 crore.

(Paragraph 2.9)

M/s Webex Systems and Networks Private Limited collected VAT from their sale but did not remit the same to the government account. The assessing authority, without ascertaining the liability, cancelled the registration of the dealer. Inaction on the part of the assessing authority resulted in non-payment of tax, interest and penalty amounting to ₹ 2.82 crore.

(Paragraph 2.10)

In two assessment circles, in respect of four distilleries engaged in the manufacture of IMFL using Extra Neutral Alcohol (ENA) provided by other distilleries, the turnover of De-mineralised water forming part of bottling charges was not assessed. This resulted in short-levy of ₹ 58.86 lakh.

(Paragraph 2.11)

III. Taxes on Vehicles

Compliance Audit

The validity of permits of 14,127 motor vehicles expired from 2014-15 to 2016-17. The permit holders neither renewed the permits, nor filed non-use intimation with respective RTOs or reclassified the vehicles from category of transport vehicles. The amount of penalty collectable worked out to ₹ 3.32 crore.

(Paragraph 3.4.2.1)

The owners of 18,803 new motor cabs and new tourist motor cabs registered from 1 April 2014 to 31 March 2017 paid motor vehicles tax for five years from the date of first registration instead of 15 years as per Kerala Finance Act, 2014. The differential tax amounting to ₹ 47.15 crore was not collected.

(Paragraph 3.4.3.2)

The rate of tax in respect of contract carriages that were registered in other States and operating in the State of Kerala was enhanced to ₹ 4,000, ₹ 6,000 and ₹ 7,000 for every passenger for vehicles with ordinary seat, push back seat and sleeper berth respectively for the period from 1 April 2014 to 17 July 2016. Audit observed that in six RTOs in respect of 86,080 cases the differential tax from 1 April 2014 to 17 July 2016 amounting to ₹ 81.08 crore was not collected.

(Paragraph 3.4.3.3)

Quarterly tax leviable on goods carriage vehicles was enhanced with effect from 18 July 2016. Audit observed that in respect of 8,596 vehicles, the differential tax amounting to ₹ 50.42 lakh was not collected.

(Paragraph 3.4.3.4, Bullet 1)

It was noticed in 15 RTOs and 51 SRTOs that one-time tax was not levied at the correct rate on vehicles reclassified from the category of transport vehicles to the category of non-transport vehicles. While registering 1,559 vehicles, the Regional/Sub Regional Transport Officers applied incorrect percentage of one-time tax due to mistake in calculation of age and purchase value of vehicle, which resulted in short-levy of ₹ 1.82 crore.

(Paragraph 3.10)

IV. Land Revenue and Building Tax

Compliance Audit

The verification of details of completed buildings, collected from the Local authorities by Audit, with the assessment records of *Taluk* Offices revealed that 367 buildings completed from 2011-12 to 2016-17 were not identified by 13 *taluk* authorities for assessment to building tax, which resulted in non-levy of building tax of ₹ 6.23 crore.

(Paragraph 4.4.2.1)

The joint physical inspection (JPI) conducted by Audit in selected *taluks* revealed that out of 235 buildings, 83 buildings were not reported for assessment, which resulted in non-levy of building tax of ₹ 3.24 crore.

(Paragraph 4.4.2.2)

In 30 *Taluk* Offices, the *Tahsildars* failed to assess and levy building tax on 2,742 buildings even on the completion of which were reported by the Village Officers. Non-levy of building tax in this regard worked out to ₹ 10.23 crore.

(Paragraph 4.4.2.5)

In 3,449 cases, luxury tax was not collected even though building tax was assessed, which resulted in non-collection of luxury tax of ₹ 1.92 crore.

(Paragraph 4.4.3)

V. Other Tax Receipts

A - STATE EXICSE

Compliance Audit

It was observed that seven companies holding Foreign Liquor licence who neither applied for permission nor regularisation of reconstitution, modified/reconstituted Board of Directors of companies in 10 occasions by addition/deletion of directors/partners. Non-imposition of fine by Excise Commissioner for unauthorised reconstitution and fee for regularisation resulted in non-realisation of revenue of ₹ 40 lakh.

(Paragraph 5.4)

B - STAMP DUTY AND REGISTRATION FEE

Compliance Audit

In two sale deeds, under-valuation of property amounting to ₹ 3.4 crore was not reported by Sub Registrar to District Registrar, which resulted in short-levy of stamp duty and registration fee of ₹ 27.74 lakh.

(Paragraph 5.8)

VI. Non Tax Receipts

STATE LOTTERIES

Compliance Audit

During 2011-12 to 2016-17, lottery tickets of 2,047 draws, organised by Director of State Lotteries (DSL) were sold in the State. However, the DSL did not pay charges of ₹ 3.81 crore to the Government as provided under the Lotteries (Regulation) Rules, 2010.

(Paragraph 6.3.2.3)

Audit observed that 1,520 beneficiaries, who were sanctioned assistance for taking treatment in six hospitals did not take treatment in that hospital and ₹ 19.68 crore, sanctioned from Karunya Benevolent Fund for their treatment, were lying in the accounts of the hospitals.

(Paragraph 6.3.3.2, Bullet 1)

Audit observed that in respect of 3,142 beneficiaries, actual expenditure from Karunya Benevolent Fund was less than 20 *per cent* of the amount transferred. Even after lapse of two to five years of disbursement, the unutilised amount of ₹ 40.96 crore was lying in the accounts of the hospitals.

(Paragraph 6.3.3.2, Bullet 2)

It was observed that interest accrued to the tune of ₹ 14.35 crore on the amount deposited by Karunya Benevolent Fund was credited in the bank account of selected Government hospitals and Karunya Benevolent Fund account. Since the Government permitted to use only the net proceeds from Karunya Lotteries to be utilised for treatment under Karunya Benevolent Fund, the interest accrued should be credited to consolidated fund.

(Paragraph 6.3.3.3)